

FINAL BILL REPORT

SHB 1565

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Synopsis as Enacted

Brief Description: Addressing business continuity plans for domestic insurers.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Kirby, Kelley, Williams and Simpson; by request of Insurance Commissioner).

House Committee on Financial Institutions & Insurance
Senate Committee on Financial Institutions, Housing & Insurance

Background:

Under the insurance code, insurers formed under the laws of Washington ("domestic insurers") must adopt procedures to continue to operate in a national emergency. The board of directors of a domestic insurer may adopt emergency bylaws to enable the insurers to reasonably operate in a national emergency. If emergency bylaws are not adopted by a domestic insurer, the following provisions are applicable:

- Three directors is a quorum for the transaction of business at a board meeting.
- A vacancy in the board may be filled by a majority of the remaining directors or by a sole remaining director.
- If there are no surviving directors, but at least three vice presidents of an insurer, the three vice presidents with the longest terms of service are the directors and possess all of the powers of the previous board. By majority vote, the board of directors may elect other directors.
- If there are not at least three surviving vice presidents, the Insurance Commissioner (Commissioner) or designated person exercising the powers of the Commissioner must appoint three persons as directors and these persons by majority vote may elect other directors.

The board of directors of a domestic insurer may provide that in the event of a national emergency:

- There is a list of succession in the event of the death or incapacity of the president, the secretary, or the treasurer of the insurer. The list must establish the order of succession by name or title and may prescribe the conditions under which the powers of the office shall be exercised.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

- The principal office and place of business of the insurer is at a named or described location. Alternate locations and an order of preference may be provided.

Summary:

The existing provisions of law that apply to business continuity for a domestic insurer in a national emergency are extended to:

- local and state emergencies;
- significant business disruptions; and
- issuers (a group that encompasses domestic insurers, domestic fraternal benefit societies, domestic certified health plans, domestic health maintenance organizations, and domestic health care service contractors).

The Commissioner is granted the authority to adopt rules regarding business continuity standards after considering relevant standards adopted by the National Association of Insurance Commissioners, other states, and other authorities that regulate financial institutions.

These provisions take effect January 1, 2011.

Votes on Final Passage:

House	96	0
Senate	46	0

Effective: January 1, 2011